

# REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON UTHUNGULU DISTRICT MUNICIPALITY

## REPORT ON THE FINANCIAL STATEMENTS

### Introduction

1. I have audited the financial statements of the uThungulu District Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

### Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the uThungulu District Municipality as at 30 June 2012, and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

**Emphasis of matter**

7. I draw attention to the matter below. My opinion is not modified in respect of this matter.

**Restatement of corresponding figures**

8. As disclosed in note 37 to the financial statements, the corresponding figures for 30 June 2011 have been restated as a result of changes in accounting policies that have been effected by management and applied retrospectively in accordance with the requirements of SA Standard of GRAP, GRAP 3, *Accounting Policies, Changes in Accounting Estimates and Errors*.

**Additional matter**

9. I draw attention to the matter below. My opinion is not modified in respect of this matter.

**Unaudited supplementary schedules**

10. The supplementary information set out on pages XX-XX does not form part of these financial statements and was presented as additional information. I have not audited the schedule and accordingly I do not express an opinion.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

11. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

**Predetermined objectives**

12. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages XX to XX of the annual report.
13. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned development objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

The reliability of the information in respect of the selected development objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

14. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

#### **Additional matters**

15. I draw attention to the following matters. These matters do not have an impact on the predetermined objectives audit findings reported above.

#### **Achievement of planned targets**

16. Of the total number of 79 planned targets for the reported development objectives, only 62 were achieved during the year under review. This represents 22% of the total planned targets that were not achieved during the year under review.

#### **Material adjustments to the report on predetermined objectives**

17. Material audit adjustments in the annual performance report were identified during the audit, 37% of which, relating to the performance indicator households with basic sanitation, were corrected by management.

#### **Compliance with laws and regulations**

18. I performed procedures to obtain evidence that the municipality has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

#### **Strategic planning and performance management**

19. The amending of the organisational performance management system scorecard, which forms part of the integrated development plan, was approved by Executive Committee on 20 June 2012, which was 10 days before the financial year-end. These amendments did not form part of both an annual review and mid-year review process as prescribed by section 34 and 41 of the Local Government Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

#### **Internal control**

20. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to compliance with laws and regulations.

#### **Leadership**

21. The accounting officer did not exercise adequate oversight responsibility over the reporting of predetermined objectives to ensure that they complied with the requirements of the MSA.

#### **Financial and performance management**

22. The senior management of the municipality did not perform a detailed review of the annual performance report to ensure that all reported information is accurate, reliable, complete, and is adequately supported by evidence.
23. The accounting officer did not review and monitor compliance as required by Section 34 and 41 of the MSA for the reporting on predetermined objectives.

*Auditor-General*  
Pietermaritzburg

30 November 2012



AUDITOR - GENERAL  
SOUTH AFRICA

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